

41222

~~SECRET~~

Director, Central Intelligence

Assistant Director, Reports and Estimates

Redesignation of the Economics Group, ODE

1. At the time of its establishment in December 1946, the economics unit of CIA was organized as a group of senior consultants with the primary object of serving the regional branches of CIA as well as other elements of the Agency in dealing with problems of a highly technical character in such fields as mining, mineral resources, international finance, food resources, and chemical and machinery industries. It is believed that this consulting function together with the extensive review of economic sections of reports of other components has contributed significantly to the improvement of the technical character of the economics work of CIA. These activities, clearly, should be continually fostered and encouraged.

2. In addition to the consulting function, the Economics Group has been called upon, almost from the beginning, to perform substantive research and intelligence evaluation. This has been true with respect to two types of problems. First, those of a highly technical character requiring the specialised knowledge and judgement of technical experts; second, problems of an economic character which were world-wide in scope and outside the interest and competence of any single part of the regional organization. Our experience during the past two years clearly indicates that satisfactory production of national intelligence cannot be attained without both a regional and a functional approach or one of the two as may be appropriate in particular cases. Many problems, such as intelligence relating to strategic materials and to economic warfare, are world-wide in scope. Also many aspects of international trade, international investments, commercial agreements, and the specialised activities of international economic agencies are not exclusively the interest of any particular country but in their essence involve two and often several countries in many parts of the world. With respect to such functions as those indicated above, intelligence activities cannot be adequately treated except on a unified world-wide basis as well as from a regional point of view.

3. Consequently, in important respects the present economic intelligence functions in CIA and in the other intelligence agencies are deficient. This is true with regard to general economic warfare

19

~~SECRET~~

O

026

n 7/14

AB-8

~~SECRET~~

- 2 -

7/15

intelligence (including that relating to strategic commodities), to certain strategically important industrial capabilities, and to the analysis of fundamental economic conditions and developments in their relationship to political and social changes. At the same time, there is a growing tendency among departments and agencies engaged with economic problems to regard CIA as the logical source of authoritative information. Demands from the KRE, for example, respecting strategic commodities are becoming almost insistent.

4. The allocation of production responsibility for economic intelligence to "such agency in accordance with its respective needs" (WCID #3) places an even heavier responsibility upon CIA for the coordination of national intelligence on economic matters than is true in other intelligence fields. The Office of Reports and Estimates, however, has never been adequately staffed with the number of professionally qualified economists to perform this function. Therefore, this office intends to request, in its estimate for the Budget Year 1951, an increase in the Table of Organization of its economics component.

5. In anticipation not only of this increase, but also of the heavier intelligence production responsibilities which must be assumed by this office in the field of economics, it is requested that you authorize and approve redesignation of Economics Group, ORE, to Economics Branch, ORE.

15

[REDACTED]

25X1A9a

Enclosure

S/PP JMW:be

Distribution:

Addressee - (1)
Asst. Director, ORE - (2)
Plans and Policy - (2)
Economics Group - (1)
Admin. Staff - (1)

~~SECRET~~

21 Jan
7/15